

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 TRSE-00
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R 101540Z FEB 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 0148
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 1147

E.O. 11652: XGDS-4
TAGS: PINT, PO
SUBJ: CDS LEADER ON CURRENT SITUATION

REF: LISBON 1108 (DTG 091718Z FEB 77)

SUMMARY: IN FEB 8 MEETING WITH AMBASSADOR AND POLCOUNS, CDS
PRESIDENT FREITAS DO AMARAL AND AMARO DA COSTA CONFIRMED CDS
LEADERSHIP'S INTENTION TO CONTINUE COLLABORATION WITH SOCIAL-
ISTS AND HIGHLIGHTED SOCIAL DEMOCRAT'S INTRANSIGENCE. AMARO
DA COSTA PREDICTED PSD WOULD SPLIT, POSSIBLY WITHIN FOUR
MONTHS IF SA CARNEIRO CONTINUES HIS PRESENT TACTICS -- A JUDGE-
MENT COLORED BY THE CDS HOPE THAT IT WILL HAPPEN. AMARAL
COMMENDED CONSORTIUM APPROACH TO PORTUGUESE LOAN ASSISTANCE
AS RIGHT USG POLICY. END SUMMARY.

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1. IN FEB 8 DISCUSSION, CDS PRESIDENT FREITAS DO AMARAL
ACCOMPANIED BY SECRETARY-GENERAL AMARO DA COSTA TOLD AMBASSADOR
AND POLCOUNS FOLLOWING:

2. PS-CDS COOPERATION: IN RESPONSE TO THE PS PROPOSAL FOR
GENTLEMAN'S AGREEMENT IN ASSEMBLY, CDS REPLIED IT WAS NOT

INTERESTED IN PATRONAGE, BUT INSTEAD PINPOINTED ISSUES ON WHICH CDS WISHES TO HAVE INPUT. THE KEY AREAS ARE ECONOMY AND EDUCATION. THE CDS BELIEVES THERE WILL HAVE TO BE A CHANGE IN THE GOVERNMENT, WITH THE PRESIDENT FORMING HIS OWN PARTY BASE AND TAKING A MORE IMPORTANT ROLE. BUT IT IS TOO SOON FOR THAT NOW, AND CDS WILL CONTINUE TO COLLABORATE WITH SOCIALISTS.

3. CDS INTERNAL REACTION: AMARAL DOES NOT BELIEVE OPPOSITION WITHIN CDS TO LEADERSHIP'S POLICY OF COLLABORATION IS SERIOUS, ALTHOUGH LISBON AREA CHIEF RESIGNED LAST WEEK AND TOOK FOUR COMMITTEE MEMBERS WITH HIM AND THERE HAVE BEEN SOME OTHER RESIGNATIONS. DISSIDENTS WILL NOT JOIN THE FAR RIGHT PARTIDO DA ALIANÇA PORTUGUESA (PAP), AT LEAST FOR PRESENT. ISSUE OF PS-CDS COOPERATION WILL BE DISCUSSED AT SPECIAL MEETING OF CDS NATIONAL SECRETARIAT THIS WEEKEND. IF NATIONAL SECRETARIAT DOES NOT SUPPORT LEADERSHIP POLICY, AMARAL WILL CALL FOR PARTY CONGRESS. AMARAL NOTED THAT "SOME IN PARTY THINK THEY ARE DOING US A FAVOR BY LETTING US LEAD, WHEN IN FACT THEY NEED US MORE THAN WE NEED THEM."

4. PSD INTRANSIGENCE: PSD LEADER SA CARNEIRO'S STRATEGY IS TO BRING DOWN THE GOVERNMENT. HE BELIEVES THAT, WHATEVER THE OUTCOME, AFTER GOVERNMENT FALLS PSD WILL HAVE ROLE. THIS IS A HIGH RISK STRATEGY AND DANGEROUS IN A NASCENT DEMOCRACY. INTERVENTIONISTS FROM LEFT AND RIGHT, LIKE MELO ANTUNES AND KAULZA DE ARRIAGA, ARE WAITING IN THE WINGS. AMARAL CITED EXAMPLES OF UNCOOPERATIVE PSD TACTICS.

-- PSD PROPOSED AN AMENDMENT TO GOVERNMENT BILL ON CIVIL
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SERVICE PAY RAISE PROVIDING FOR A RETROACTIVE INCREASE IN JUNE. THIS WOULD HAVE BEEN DISASTEROUS FOR THE GOVERNMENT'S ECONOMIC PROGRAM. AS IT WAS, THE GOVERNMENT'S PROPOSAL, WITH CDS SUPPORT, SQUEEZED BY IN THE ASSEMBLY WITH A NARROW MARGIN. PCP SUPPORTED THE PSD.

-- THE PSD AGREED TO DISCUSS IN CLOSED SESSION THE POLITICALLY SENSITIVE LEGISLATIVE PROPOSALS ON THE ROLE OF THE PRIVATE SECTOR. WITHOUT WARNING, THE PSD PUBLISHED ITS OWN PROPOSED LEGISLATION, THUS MAKING A VITAL PROJECT MUCH MORE DIFFICULT.

-- IN SEVERAL INSTANCES THE PSD HAS TAKEN POSITIONS IN THE ASSEMBLY TO THE LEFT OF THE PS. (REFTEL).

-- DESPITE WILLINGNESS OF CDS-ORIENTED NEWSPAPER "O DIA" TO GIVE SPACE TO PSD, PSD-INFLUENCED BANKS HAVE REFUSED CREDIT TO HARD-PRESSED "O DIA."

-- MEETINGS BETWEEN SA CARNEIRO AND FREITOS DO AMARAL NEVER RESULT IN ANYTHING CONCRETE. SA CARNEIRO MAY AGREE TO SOMETHING ONE DAY AND CHANGE THE NEXT. FREITAS DO AMARAL IS REFUSING TO ACCEPT SA CARNEIRO'S CURRENT REQUEST TO MEET UNLESS THERE IS A AGREEMENT AHEAD OF TIME ON A POSITIVE RESULT.

5. PSD INTERNAL REACTION: PSD IS NOT UNIFIED ON SA CARNEIRO'S TACTICS. EVEN MEMBERS FROM PSD LEADERSHIP HAVE DISCUSSED THEIR CONCERN WITH FREITAS DO AMARAL. AMARO DA COSTA SAID HE AMARAL FORESEES A SEVERE INTERNAL STRAINS WITHIN PSD POSSIBLY EVEN LEADING TO BREAKUP OF PSD WITHIN FOUR MONTHS.

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6. DANGER FROM RIGHT: AMARAL IS UNSURE OF CONNECTION BETWEEN PAP AND KAULZA DE ARRIAGA'S MIRN. PRESENCE OF AT LEAST ONE LEADER IN BOTH GROUPS SUGGESTS A LINK. PAP FOUNDER MANUEL PIRES DE MORAIS IS A THIRD RATER. A FORMER CONSTITUENT ASSEMBLY MEMBER, HE QUIT CDS WHEN PARTY WOULD NOT LET HIM RUN FOR ASSEMBLY OF THE REPUBLIC. KAULZA IS FAR RIGHTIST DISGUISED AS DEMOCRAT. CAETANO USED TO REFER TO KAULZA AS THE DANGER ON THE RIGHT. ALTHOUGH HE HAS NO SIGNIFICANT CURRENT BACKING IN MILITARY, KAULZA IS DANGEROUS. HE HAS THE POTENTIAL FOR CATALYZING PUBLIC SUPPORT. FOR EXAMPLE, AT RECENT PRESENTATION BY PERFORMING ARTISTS, KAULZA WAS THE FOCUS OF ATTENTION.

7. LEADERSHIP: SOARES TRIES HARD BUT, ALTHOUGH AN

EXCELLENT POLITICIAN, IS NOT AN ADMINISTRATOR. SOARES
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IS WORKING HIMSELF TO DEATH. HIS REACH EXCEEDS HIS GRASP.
PRESIDENT EANES IS DOING BETTER ALL THE TIME AND HANDLES
HIMSELF BEAUTIFULLY. EANES SUCCEEDED IN DOMINATING THE
REVOLUTIONARY COUNCIL WITHOUT RUFFLING MILITARY FEATHERS.

8. ADMINISTRATIVE REFORM: SOARES HAS ASKED FREITAS DO AMARAL
TO LEAD AN ADMINISTRATIVE REFORM GROUP. GROUP'S WRIT WOULD
INCLUDE ORGANIZATION OF GOVERNMENT, CIVIL SERVICE, LOCAL GOVERNMENT,
AND QUESTION OF DECENTRALIZATION. AMARAL TAUGHT ADMINISTRATIVE
LAW AT THE UNIVERSITY AND WILL ACCEPT -- IF ASKED BY PRESIDENT.
SUCH A PROGRAM WILL NEED THE PROTECTIVE COVER THE PRESIDENT
CAN PROVIDE. COMMUNISTS, FOR EXAMPLE, ARE UNWILLING TO TAKE
ON THE PRESIDENT IN A CONFRONTATION.

9. US POLICY ON LOAN ASSISTANCE: US IS RIGHT IN SEEKING
INTERNATIONAL CONSORTIUM. PORTUGAL HAS BECOME ECONOMICALLY
DEPENDENT AS A RESULT OF EXCESSES OF REVOLUTION, BUT IT IS
BEST NOT TO APPEAR TOO DEPENDENT ON US. LOANS INEVITABLY MEAN
ECONOMIC PRECONDITIONS AND THIS IS SOMETHING PORTUGAL MUST
ACCEPT.

10. COMMENT: CDS LEADERSHIP IS UNDERTAKING STATESMANLIKE
BUT POLITICALLY RISKY TACTIC WITH THEIR SUPPORT OF PS IN
ASSEMBLY. PS AND CDS CONTINUE TO SHARE COMMON INTEREST IN
DISMEMBERMENT OF PSD, AN ENTHUSIASM WHICH COLORS JUDGEMENT
OF AMARO DA COSTA WHEN HE PREDICTS PSD'S EARLY BREAKUP. EMBASSY
SOURCES IN PSD DO NOT CONFIRM A SERIOUS THREAT TO SA
CARNEIRO'S LEADERSHIP, ALTHOUGH THERE IS GROWING UNHAPPINESS
IN PARTY WITH HIS HARD LINE TACTICS.
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